

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of State Parks  
Honolulu, Hawaii

January 26, 2007

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

**Subject:** Request for Approval of Malaekahana Partners, LLC as the  
Selected Bidder to Develop, Operate, and Maintain Malaekahana  
State Recreation Area (MSRA), La'ie, O'ahu

**Area:**

MSRA is comprised of two non-contiguous oceanfront sections consisting of the Kahuku section at 36.16 acres and the Kalanai section of 73.71 acres that are the subject of this request (Exhibit "A").

**Current Use Status:**

The Kahuku section is under a gratis Revocable Permit to Lanihuli Development Corporation whose principal is one of three partners in Malaekahana Partners, LLC (MP), the sole bidder of the Request for Proposal (RFP). The Kalanai section is managed by the Division of State Parks (State Parks).

**Background:**

Since the RFP process was approved by the Board in December 2003, State Parks staff and the Evaluation Committee that was appointed by the Chairperson have worked with the bidder to come up with a development concept that will provide needed public recreational facilities and be managed by a private entity. A level of confidence in the bidder and assurances that the park will be developed to meet the needs of residents and visitors is necessary to the project's success. The community associations of La'ie, Kahuku, Ka'a'awa, Punalu'u, and Hau'ula and the Ko'olauloa Neighborhood Board have also provided input to the bidder, some of which were incorporated into the latest and current version. However, not all of the plan's components have been amended to the satisfaction of the community and the Evaluation Committee. There remains some unresolved issues and tasks to be accomplished such as:

In May 2005, the Board directed staff to develop the assignment criteria for the appraisal of the lands that includes both the Kahuku and Kalanai sections. The Board

intended that the third party appraisal, to be paid by the bidder, will be used to negotiate the lease terms and conditions of the Development Agreement. An appraisal was not conducted because the bidder refused to pay for the appraisal unless he was the selected bidder.

The development is being fully funded by the partners involved in an internal partnership debt financing agreement. There is no mortgage involved and all bonding will be provided by the partnership. There is no environmental impact statement and no completed Master Plan for the Kalanai section. These are significant expense items to be borne by the bidder. The Segawa Development Plan for the Kahuku section estimated that construction cost for the development will be in excess of \$4.4 million. MP estimates construction to both sections at \$3, 874,700 and will finance the bond in that amount.

Federal (Department of the Interior) Land and Water Conservation (LWCF) funds were used in 3 separate projects for the MSRA, 2 in acquisition, and 1 for the construction of a restroom and related support facilities. As such, State Parks contacted the Project Manager of the LWCF program. There is a concern on the part of the Department of the Interior with private funds being used to improve and manage LWCF funded properties. The Department of the Interior is seeking to clarify this issue. However, to date, no formal response has been received.

The Eco-Village Green Power system that is proposed consists of a 20 kw photovoltaic solar array, a 10kw marine-grade wind generator with deep cell battery storage, a 250kw diesel generator that will run with locally supplied vegetable based biodiesel fuel, when needed. The system also includes a 40' x 50' x 12' high 2,000 square foot renewable energy educational center building that integrates the photovoltaic array into its roof. A decision to install Whisper H40 wind generators (turbine) as an alternate energy initiative at sites selected by their power designer consultants, 21<sup>st</sup> Century Technologies was made when there was opposition to windmills from the communities and the Evaluation Committee. The specifications on these items are:

Rotor diameter	7' (2.1 meters)
Weight	47 lbs. (21 kg)
Mount	2, 5" Schedule 40
Start-up wind speed	7.5 mph
Voltage	12, 24, 32, 48 VDC
Peak power	900 watts @28 mph

Although staff is supportive of alternative energy efforts, we are unable to determine the visual impact of this generator.

The Ko'olauloa Neighborhood Board (KNB) at its recent meeting on January 11, 2007, expressed their concern that the State is placing state park lands under private control.

Moreover, the KNB stated that their support of the development concept is predicated on State Parks assuring the KNB that the final proposal conforms to the representations made to the community by Mr. Chapman. Staff notes that some of the components of the proposal can be verified, some have been amended or deleted. Staff further notes that this request for approval is of the development concept and the actual details and implementation of the proposal will be negotiated when the lease is executed, and will be subject to community and agency input through the EIS process.

Lastly, the Evaluation Committee recommends and the KNB supports that a process for control and governance be established through a community review committee comprised of representatives from the ahupua'a of the Ko'olauloa region, to include Ka'a'awa, Kahana, Punalu'u, Hau'ula, La'ie and Kahuku, along with several public agency representatives. This committee shall be formed to assist the State in the lease negotiations, review all land use actions proposed by MP, provide oversight during the design and construction phase, and conduct biannual reviews of the park's operations and maintenance.

#### Recommendation

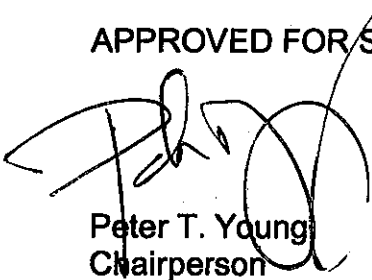
Staff, with the concurrence of the majority of the members of the Evaluation Committee, recommends that the Land Board approve Malaekahana Partners, LLC as the selected bidder.

Respectfully submitted,



Daniel S. Quinn  
State Parks Administrator

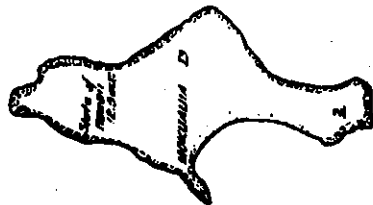
APPROVED FOR SUBMITTAL:



Peter T. Young  
Chairperson

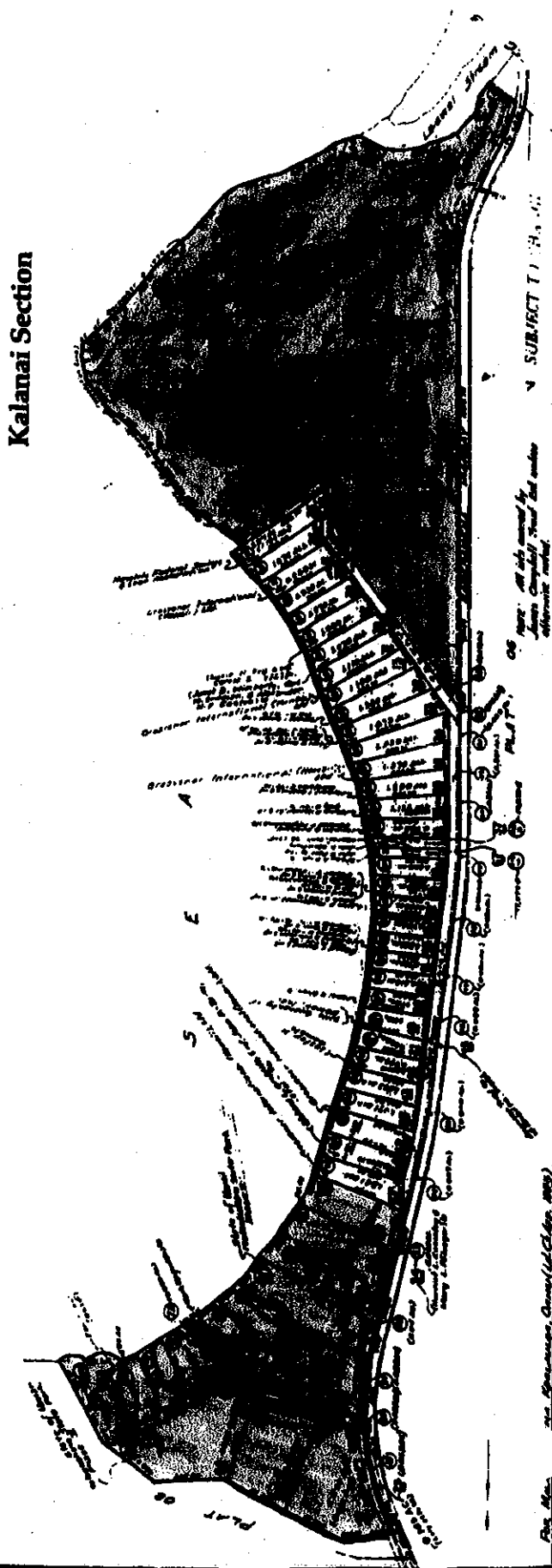


# Mālaekahana State Recreation Area



Scale: 1 inch = 200 feet

## Kahuku Section



## Kalanai Section

FAVORABLE	5	6	0
UNFAVORABLE	1	2	3
TOTAL	6	8	3
PERCENT	57.7	76.9	79.1
SCALE	1 inch = 200 feet		